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U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

July 11, 2002

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The Honorable Michael K. Powell
Chairman
Federal Communications Commission
445 12th Street S.W.
Washington, D.C. 20554

Dear Chairman Powell:

I congratulate you upon your appointment to the President's Corporate Fraud Task Force. I am firmly in agreement with the President's concerns over the pervasiveness of the corporate fraud that we have seen demonstrated by the wave of business scandals that have left Wall Street shaken. America's investing public is anxious to know if morality and ethics continue to exist in our Nation's corporate boardrooms. You will be of great assistance to the President in his effort to increase investor confidence and provide additional strength to our economy.

Inasmuch as the WorldCom difficulties in the financial marketplace are very much in the forefront of the continuing problems plaguing a number of telecommunications companies of late, I, along with other Members of the Committee have a number of questions that are relevant to the issues at hand. We would greatly appreciate a full and complete response to the outlined questions by the close of business on July 19th.

1.) Section 218 of the Communications Act provides, "The Commission may inquire into the management of the business of all carriers subject to this Act, and shall keep itself informed as to the manner and method in which the same is conducted. In that regard:

What is the mechanism utilized by the FCC to "inquire into the management" of communications common carriers? What specific regulations have been issued to satisfy this part of the statute?

Inquiries appear to be permissive under the statute, but the law requires that the FCC "keep itself informed." Has the FCC waived this requirement? Did the FCC grant a forbearance petition? The law appears to be quite specific on its face. What exactly is done on a routine, continuing basis to fulfill these requirements?

2.) Section 219(a) of the Communications Act authorizes the FCC "to require annual reports from all carriers subject to this Act. That section also requires carriers to submit information related to their financial structure and activities. Does the FCC enforce this statute with regard to "all carriers", as the statute envisions, or is the FCC allowed to act selectively?

Please provide citations to the published FCC rules implementing Section 219 and exempting "non-dominant" carriers including WorldCom from these financial disclosure requirements.

3.) Over the years, the FCC has required merging common carriers to submit an array of information to the FCC. The carriers maintain that this information duplicates material which is submitted to the Justice Department's Anti-trust Division and the Federal Trade Commission's Bureau of Competition under the Hart-Scott-Rodino Pre-Merger Notification Act.

How many of WorldCom's mergers and acquisitions over the years have been reviewed by the FCC? Please describe the FCC's practice regarding these transactions, to include how long, on average, it has taken to review the various materials.

When WorldCom acquired MCI in 1999, critics, to include the Communications Workers of America and the AFL-CIO, reportedly filed comments with the FCC suggesting that WorldCom's finances were at that time questionable. Did the FCC take any action in response to those and any other similar submissions?

4.) Please explain briefly the "standard operating procedures" which the FCC has in place to coordinate its responsibilities and activities with the Securities and Exchange Commission (SEC)?

5.) Please explain the "standard operating procedures" which the FCC has in place to coordinate its responsibilities and activities with the Anti-trust Division of the Department of Justice?

6.) Please explain the "standard operating procedures" which the FCC has in place to coordinate its responsibilities and activities with the Bureau of Competition of the Federal Trade Commission?

7.) The National Association of Securities Dealers and other securities exchanges have "self regulatory" responsibilities. The law envisions the SEC as regulating these "self-regulating organizations (SROs).

What procedures has the FCC established to interact with these SROs? Is there an established point of contact or a standardized way in which information is exchanged?

If there is no standard operating procedure by which the FCC interacts and coordinates with the SEC, and if there is also none by which the FCC communicates with the SROs, do you think that there should be? How else would you and your fellow Commissioners keep yourselves informed otherwise?

8.) The FCC's Wireline Competition Bureau has an Industry Analysis Division that collects and regularly publishes reports on common carrier industry developments in what is presumably an attempt to keep track of whether FCC policies are working. It is our understanding that you have also taken action to establish similar units in all of the FCC's other operating bureaus.

How much corporate financial information has the Industry Analysis Division been collecting over the years on the "non-dominant" wireline carriers?

Has that information been made available to the Commissioners and their staff?

Has that information been made available to the public?

Do you believe that information such as this should be collected?

9.) Earlier this year, Global Crossing, one of the largest international communications carriers collapsed and filed for bankruptcy protection. As a result of that occurrence, there were a number of reports about questionable internal corporate transactions.

What did the FCC International Bureau do as a result of this massive business failure, which was one of the largest in the history of the United States? Did the Bureau undertake a post-mortem review? Did it undertake a formal or an informal "risk assessment"? Did the Bureau take any action at all?

What initiatives did other units of the FCC take regarding the Global Crossing collapse?

How often has the FCC or its staff coordinated with the SEC, Department of Justice, or SROs regarding the ongoing investigation of the Global Crossing collapse?

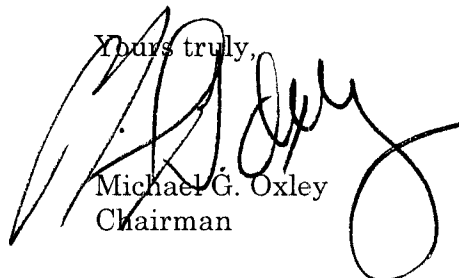
10.) The FCC recently shifted its Accounting and Audits Division from the old Common Carrier Bureau to the new Enforcement Bureau. It seems unusual that in the midst of scandals surrounding "creative accounting" for the FCC to seek to end or at least diminish its own accounting review operations, but there was allegedly some rationale for doing so that was presented to the House and Senate Appropriations Committees. Please provide the rationale for this request as was provided to the House and Senate Committees.

11.) On June 6th, the FCC released an order adopting a consent decree with WorldCom that terminated an investigation into "slamming" of consumers preferred carriers by WorldCom. In the agreement, WorldCom later agreed to structure its telemarketing and other business practices to protect consumers against "slamming" and paid a \$3.5 million "voluntary contribution" to the U.S. Treasury.

Please provide a copy of the consent decree and a summary of all enforcement actions taken since 1995 against WorldCom, to include consent decrees, for its business practices.

I look forward to receiving your prompt response to this request. Please call Dale Brown, of my Committee staff at (202)226-3175, should you have any questions.

Yours truly,

A large, stylized handwritten signature in black ink, likely belonging to Michael G. Oxley, is written over the typed name and title.

Michael G. Oxley
Chairman

cc: The Honorable John J. LaFalce
Ranking Member